

# MORTGAGE TAXATION

AND

## INTEREST RATES.

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ABSTRACTS OF MORTGAGE RECORDS IN CERTAIN COUNTIES OF  
NEW YORK, MASSACHUSETTS AND PENNSYLVANIA.

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ILLUSTRATING THE EFFECT OF THE NEW ANNUAL MORTGAGE  
TAX LAW.

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NEW YORK TAX REFORM ASSOCIATION,

52 William Street, New York,

1906.

WITH THE COMPLIMENTS OF THE

NEW YORK TAX REFORM ASSOCIATION

## Recording Tax Law Has Reduced Interest Rate

By A. C. PLEYDELL,  
Secretary New York Tax Reform Association.

THE records of mortgage loans in this city show that, as predicted, the recording tax law has attracted money to the mortgage market and reduced interest rates. For eight months from July 1, 1906, when the law went into effect, to March 1, 1907, the average rate of interest stated on mortgages recorded in New York County was 5.15%. For the corresponding period under the annual mortgage tax law the average rate was 5.54%, or about 4-10 of one per cent higher.

Considering the state of the money market and the increased demand for capital in other lines, this decrease in the mortgage interest rate is an excellent showing for the new law. And the amount of money loaned was nearly twice as large as under the annual tax law. The following table gives the figures for corresponding periods under the recording tax, the annual tax, and the previous year, when mortgages were liable to taxation as personal property:

### NEW YORK COUNTY (MANHATTAN AND BRONX).

Eight months, July-Feb., inclusive.	Total amount of mortgages recorded.	Amount in which interest rate was stated.	Average rate.
1904-5 (old law).....	\$265,801,499	\$229,318,157	5.12
1905-6 (annual tax)....	160,944,878	138,637,021	5.54
1906-7 (recording tax)*.	306,874,021	257,068,670	5.15

The effect of the new law on the rate and on the amount of money loaned in Brooklyn has also been gratifying. Because of the confusion of the records in Kings County for July, 1905, it has been impracticable to compute the average interest rate for the time immediately after the annual tax law went into effect; therefore, the period beginning October 1st has been taken, so that exact comparisons can be made. The rate has been 2½ mills lower under the recording tax, and the amount of money loaned was increased, being nearly half as much again.

### KINGS COUNTY (BROOKLYN).

Five months, Oct.-Feb., inclusive.	Total amount of mortgages recorded.	Amount in which interest rate was stated.	Average rate.
1904-5 (old law).....	\$65,021,630	\$53,481,692	5.24
1905-6 (annual tax)....	50,082,483	40,600,275	5.69
1906-7 (recording tax)..	73,442,995	70,029,026	5.43

Not only was the average rate of interest higher under last year's annual tax, but the amount of money loaned at rates over 5 per cent. was much larger, especially in Brooklyn, as will appear from the following comparison:

#### AMOUNTS OVER 5%.

	New York County. 8 months.	Kings County. 5 months.
1904-5.....	33%	26%
1905-6.....	68%	88%
1906-7.....	33%	59%

All these calculations have been made from the weekly tables published in the Record and Guide, and are a summary of detailed tables similar to those in a pamphlet issued by the New York Tax Reform Association a year ago, which showed that the annual mortgage tax law of 1905 had increased interest rates and diminished loans.

It is gratifying to be able to show that the recording tax law has lowered the average rate of interest, that it has increased the amount of money loaned at 5% or less, and that it has brought more money into the mortgage market; and this, despite the admittedly adverse conditions of the money market.

\*The figures for this period do not include the \$100,000,000 mortgage of the Hudson & Manhattan R. R. Co. at 4½%.

From the RECORD & GUIDE

March 16, 1907.

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# MORTGAGE TAXATION

## And Interest Rates.

Argument submitted by Lawson Purdy, Secretary of the New York Tax Reform Association, to the Joint Committees on Taxation and Retrenchment of the Legislature of the State of New York, in relation to the taxation of mortgages,  
March 1, 1906.

The tables referred to are printed in full as an appendix.

Most people who approve of taxing debts secured by mortgages think that the lender pays the tax. Those who oppose the taxation of debts generally believe that the borrower pays the tax in an increased rate of interest. Many believe that it is in the nature of men and things that every obstacle placed between the borrower and lender and every burden placed upon the transaction between them must fall chiefly if not wholly upon the borrower. While this argument based on deduction is satisfactory to us and sufficient, we shall prove by statistics from mortgage records the increase in interest rates due to the old liability of mortgages to taxation and to the new annual mortgage tax.

Prior to last July in the State of New York mortgages were taxable like any other taxable personal property, to each person after the deduction of his debts. The net personal estate of each person was taxable at the full local tax rate for all purposes, and the rate varied from about  $1\frac{1}{2}\%$  to 3%. The amount of mortgages actually taxed was very small. Those who suffered most from such taxation were the beneficiaries of trusts created by will, who were frequently women and children. The gross injustice of a law which could operate in this way has been frequently pointed out by Tax Commissions and state officials.

The Special Committee on Taxation appointed by the Legislature of 1899, called the Stranahan Committee, contended that in spite of the fact that a very small amount of mortgages were actually taxed the fear of taxation prevented many from offering to lend money on mortgage security, and that in consequence the rate of interest was increased in this state by about one-half of 1%. There were also many who believed that the rate of interest was increased by the liability of mortgages to taxation but that the amount of the increase varied very much in the different parts of the state.

The statistical data bearing on this question is not extensive but it is sufficient to prove that the rate of interest was increased by the liability to taxation. An investigation concerning mortgage indebtedness was made for the census of 1890 and the average rate of interest was computed on the mortgages in force in 1889 in 79 counties in various states. These counties included two rural counties in Massachusetts and six rural counties in the State of New York, one city county in Massachusetts (Suffolk, in which Boston is situated), and four city counties in New York. The following table shows the average rate of interest on the mortgages in force in 1889 in these counties as given by the census of 1890:

City Counties.		
Massachusetts.	New York.	Interest in excess Boston rate.
Suffolk County..... 5.03 (City of Boston)	New York..... 5.18	New York ..... .15
	Kings ..... 5.27	Kings ..... .24
	Erie ..... 5.73	Erie ..... .70
	Monroe ..... 5.66	Monroe ..... .63
Rural Counties.		
Massachusetts.	New York.	Interest in excess Franklin and Hampden rate.
Franklin Co. .... 5.51	Albany Co. .... 5.88	Albany ..... .32
Hampden Co. .... 5.61	Allegany ..... 6.12	Allegany ..... .56
	Dutchess ..... 5.80	Dutchess ..... .24
	Fulton ..... 6.12	Fulton ..... .56
Average rate two Mass. coun- ties about ..... 5.56	Livingston ..... 6.05	Livingston ..... .49
	Richmond ..... 5.93	Richmond ..... .37



In Massachusetts mortgages were exempted from taxation in 1881, so that most of the mortgages in force in 1889 were made under conditions of exemption. There is certainly no reason for the rate of interest being lower in Boston than in the City of New York or even the City of Brooklyn (Kings County) other than the liability to taxation in the New York counties. Other influences being equal, money is always attracted to the larger city in greater volume than to the smaller one, and the rate of interest would actually have been lower in New York and Brooklyn than in Boston were it not for the liability to taxation. But we find that the rate of interest was higher in the New York counties than in Boston by  $1\frac{1}{2}$  mills in New York, 7 mills in Erie County, in which Buffalo is situated, and over 6 mills in Monroe County, containing the City of Rochester.

A comparison between the rural counties of New York and the rural Massachusetts counties indicates that the liability to taxation has generally a greater influence in the rural counties than in the city counties. The comparison is a fair one. Franklin County, Massachusetts, had 38,000 population and no cities. Hampden County had a population of 135,000 with three cities, one of them being Springfield with 44,000 people. Of the New York counties, Albany had a population of 164,000 with three cities, of which one was Albany with 94,000 people; Allegany County had a population of 43,000 and no cities; Dutchess had a population of 77,000 with one city. The other three counties contained no cities, but Richmond County was a suburb of New York, being Staten Island. The New York county which shows the smallest excess of interest over the average for the Massachusetts counties is Dutchess with an excess of .24, while the counties of Allegany and Fulton had a rate .56 higher than the two Massachusetts counties.

### *The Annual Mortgage Tax.*

On July 1st, 1905, the new law went into effect in the State of New York by which all mortgages recorded thereafter were subject to taxation at the rate of one-half of 1% annually without deduction for the debts of the owner and without regard to the residence of the owners, the tax being payable at the recording office.

In order to show as clearly as possible the effect of the new law and at the same time the increase in the interest rate due to the liability to taxation under the old law, we have procured a complete record of all the mortgages recorded for the last six months of 1904 and 1905 in the following counties of New York State: New York, Dutchess, Columbia, Rensselaer and Chautauqua; and for the last three months of the two years in Kings County. We have also procured a complete record of all the mortgages recorded in Berkshire County, Massachusetts. This county is situated at the western end of Massachusetts, borders for almost their whole length the counties of Columbia and Rensselaer in New York, and extends from the Vermont line to the Connecticut line. We have also procured the record of the first hundred mortgages recorded each month in the City of Boston for the last six months of 1904 and for all of the year 1905. We present the Boston record by periods of six months, and an examination of the tables will show that the average rate of interest for the three periods of six months each is almost perfectly uniform, indicating clearly that the record of the first hundred mortgages as given was a fair average for the entire amount of mortgages recorded.

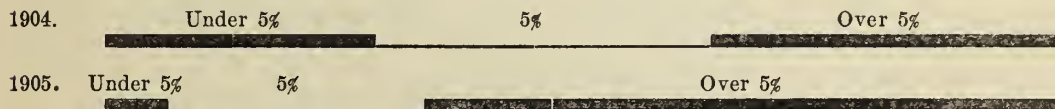
In addition to the New York and Massachusetts records we procured the complete record of the mortgages recorded for the last six months of the years 1904 and 1905 in Erie County, Pennsylvania. This county was selected because it adjoins Chautauqua County in New York. We obtained the record of the mortgages recorded during the first four days of each month in Philadelphia for the last six months of 1904. The record for the last six months of 1905 is not yet obtainable.

In Pennsylvania mortgages are subject to taxation without deduction for debt at the rate of four mills per annum. There is a somewhat elaborate system by

which when mortgages are recorded the assessors of the place in which the mortgagee resides are notified of the facts. The revenue raised by this taxation of mortgages in Pennsylvania shows that a very large proportion of the mortgages are actually subject to taxation. It is commonly believed in Pennsylvania that the rate of interest is increased by the amount of the tax. We present the Philadelphia and Erie County figures as the record gives them and in the tables call attention to the fact that the rate of interest should be reduced by four mills to make the comparison with the New York rate.

### *New York County.*

The following diagram shows at a glance the proportion of money loaned at 5% and at greater and less rates for the years 1904 and 1905 in the County of New York:



An examination of the table (see appendix) shows that the amount of money actually loaned was very little more than half as much in 1905 as in 1904. In 1904 there was less than a million dollars loaned at 5½%; in 1905 over fifteen million dollars. In 1904 more than forty-four million dollars was loaned at less than 5%, and in 1905 less than seven million dollars. In 1904 over five million dollars was loaned at 4%; in 1905 less than one and a half million.

The new law tends to decrease the amount of money loaned. The following table shows that for the second six months of 1904 there was a slight increase over the amount of mortgages recorded in the first six months, but that in the second six months of 1905 the amount was less than a quarter of the first six months and not much more than half as much as in the preceding year.

#### PAR VALUE OF MORTGAGES RECORDED IN NEW YORK COUNTY.

(Including those in which no rate of interest is expressed.)

1904.		1905.	
1st 6 mo.....	\$172,122,099	1st 6 mo.....	\$459,896,187
2nd 6 mo.....	174,915,015	2nd 6 mo.....	101,159,658
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\$347,037,114		\$561,055,825	

Comparing the rate of interest in New York County with Boston we find that in 1904 the average rate in New York was 5.20 and in Boston 5.09, the New York rate being more than one mill higher even on the record. The rate in New York County in 1905 increased nearly three and a half mills, and is four and a half mills higher than Boston.

The records, however, for New York and Boston do not tell the whole truth. Massachusetts has no usury law, and over one-fourteenth of the money loaned in Boston was at rates of interest in excess of 6%. No doubt as large a proportion of the money loaned in New York was loaned at rates in reality in excess of 6%, but because of our severe usury law the record rarely shows a mortgage at more than 6%, and then only in the case of corporations, which are relieved from the burden of the usury law. If the Boston record is made to conform to the New York record by considering all mortgages in excess of 6% as 6% mortgages, the average rate in Boston for the year 1905 is only 4.73 against the average rate in New York of 5.54. The record rate for 1905 in New York is lower than the true rate for the further reason that many mortgages were made by corporations which frequently contract to pay the tax in addition to the agreed rate of interest. This privilege

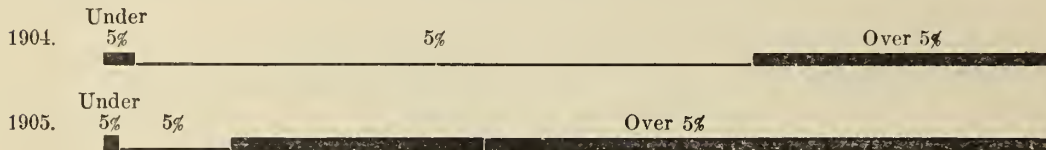


is denied to individual lenders, as the law provides that if the borrower pays the tax or any part of it the mortgage is void.

### *Kings County.*

This county contains the Borough of Brooklyn. The mortgage records for 1905 are so far behind that it was almost impossible to distinguish between mortgages actually filed for record before the first of July and after the first of July. We therefore present a table for the last three months of each year only.

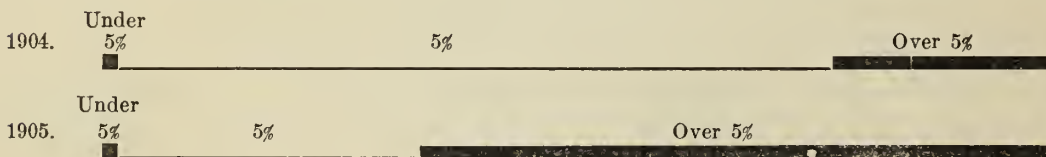
The following diagram shows the proportion of the money loaned at 5% and at higher and lower rates than 5% for both years:



In these three months of 1904 there was over \$17,000,000 loaned at 5%; in 1905 \$3,163,224. In 1904 \$186,537 was loaned at 5½% and in 1905 \$7,546,152. The average rate of interest for this period of 1904 was 5.296. The average rate for the same period of 1905 was 5.70.

### *Dutchess County.*

Dutchess County is a rich county having an unusual number of savings banks. The average rate of interest in Dutchess County has been and is low as compared with the rest of the state, but the following diagram shows the change in the proportion of the money loaned at 5% and at rates above and below 5% from 1904 to 1905.

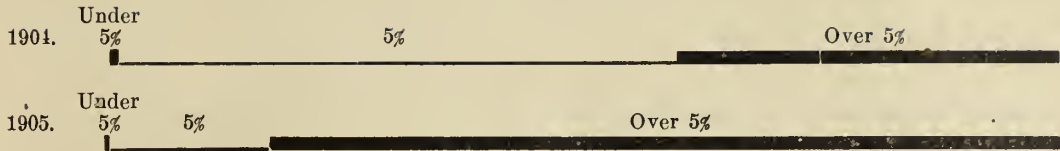
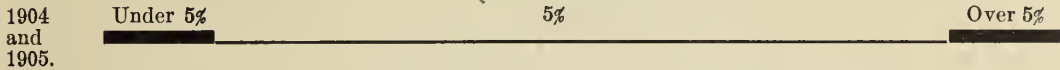


An examination of the Dutchess County tables shows that in 1904 nearly \$300,000 was loaned at 5% and in 1905 less than one-third as much. In 1904 \$600 was loaned at 5½% and in 1905 \$136,430.

### *Columbia County.*

Columbia County is bounded on the east by Berkshire County, Massachusetts. The average rate of interest in Columbia County was 5.37 in 1904 and it advanced to 5.78 in 1905. A comparison with Berkshire shows that Columbia had a rate higher than Berkshire by over three mills in 1904 and over seven mills in 1905. For purposes of convenient comparison the diagram showing the proportion of money loaned at 5% and at greater and less rates in Berkshire County in 1905 is introduced here; the proportion was the same in 1904.

The following diagrams show the proportion of the money loaned at 5% and at greater and less rates for the last six months of 1904 and 1905.

*Columbia County.**Berkshire County, Mass.*

In Columbia County the amount of money loaned at less than 5% was trifling in both years. A great change took place in the amount of money loaned at 5%. In 1904 it was a little over \$100,000; in 1905 \$35,300. The amount of money loaned at 6% was greater in 1905 than in 1904, but the excess is all due to two large mortgages. With the exception of these two mortgages the average 6% mortgage was under \$1,000 in each year. These two mortgages were for \$95,000 and for \$24,000 respectively.

*Rensselaer County.*

Rensselaer County for two-thirds of its easterly border adjoins Berkshire County, Massachusetts. Rensselaer is a richer county than Columbia. The City of Troy is within its borders and the City of Albany immediately adjoining it. The rate of interest in Rensselaer County was somewhat lower in both periods than in Columbia, but it makes a very poor comparison with Berkshire County, Massachusetts. The following diagram shows the proportion of money loaned at 5% and at greater and less rates for the last six months of 1904 and 1905:



An examination of the table shows that in 1904 \$377,000 was loaned at 5% and \$174,000 in 1905. In 1904 only \$4,200 was loaned at 5½%, and \$143,000 in 1905. Less than \$4,000 was loaned in 1905 at rates less than 5%, whereas in 1904, \$157,000 was loaned at less than 5%. The amount of money loaned on bond and mortgage fell off considerably, the amount being \$868,000 in 1904, and \$556,000 in 1905.

In 1904 the rate in Rensselaer was more than two mills higher than in Berkshire County, Massachusetts, and in 1905 five mills higher, or just the amount of the annual tax.

*Chautauqua County.*

In Chautauqua County the rate of interest in 1904 was high, the average being 5.62%, and it is impossible to show a very large increase on the record. Probably if we could get the truth as to the 6% mortgages for both years we should find that the rate of interest exceeds 6%, at least as frequently as in the City of Boston. The tables show, however, a considerable change in the amount of money loaned at the different rates:

	1904.	1905.
5% .....	\$299,757	\$174,710
5½% .....	9,700	90,688

The following diagram shows the proportion of money loaned at 5% and at greater and less rates during the last six months of 1904 and 1905:



### *Erie County, Pennsylvania.*

Erie County, Pennsylvania, is a little smaller than Chautauqua County, New York, having 782 square miles as compared with 1,062 square miles for Chautauqua County, but the population is a little larger, Chautauqua having 88,000 and Erie 98,000. The two counties increased in population at nearly the same rate from 1890 to 1900, the increase in Chautauqua being 13,000 and the increase in Erie being 12,000. These counties adjoin and both front on Lake Erie.

The tables showing the money loaned in Erie County, Pennsylvania, in 1904 and 1905 indicate that there was no change in the conditions to amount to anything in the two years. The total amount of money was almost the same, the amount loaned at 5% differed very slightly, the average rate of interest was 5.57 in 1904 and 5.53 in 1905. Erie County being in Pennsylvania there was a tax of four mills and that four mill tax is hinted at in the interest rates. \$25,000 was loaned at 5.4% in 1905 and \$43,600 at that rate in 1904. Deducting the four mills from the average rate for 1905 we have a rate of 5.13 as compared with the rate in Chautauqua of 5.71. If from the Chautauqua County rate we deduct the half of one per cent tax we have a rate of 5.21, very nearly identical with the rate of 5.13 in Erie County.

### *Philadelphia, Pennsylvania.*

The record for Philadelphia shows the amount of money loaned during the first four days of each month for the last six months of 1904. The record for 1905 is not yet obtainable. From the record of mortgages those made to building and loan associations were excluded for the reason that they are exempt from taxation and the true interest rate is not definitely ascertainable because the borrowers are members and stockholders of the associations.

In spite of the four mill tax the average interest rate in Philadelphia as indicated by the record was 5.16. If the four mill tax is deducted we have a rate of 4.76, almost identical with the Boston record of 4.73, this record in Boston being obtained by considering all the money loaned at rates in excess of 6% as 6% money. This must be done in order to make the record comparable with Pennsylvania because Pennsylvania has a usury law and the law further provides that if the borrower pays the mortgage tax the mortgage is usurious.

The rates in Philadelphia indicate more clearly than in Erie County the influence of the four mill tax. Out of \$3,311,000 \$667,000 was loaned at 5.4%.

### *Boston, Massachusetts.*

We have procured the record of the first hundred mortgages recorded each month, in which the rate of interest is expressed, in Suffolk County, Massachusetts, during the last six months of 1904 and the year 1905. In order to show that the record of the first hundred mortgages of each month presents a fair average of the total we present tables for each period of six months, and for the whole year of 1905.



During the year 1905 the total amount of mortgages recorded in Boston was \$44,653,289, and the amount included in the mortgages the record of which we have and present in the table is \$6,674,658. The average rate shown by the tables is 5.07 for 1905 and 5.09 for 1904. These rates are very much increased by the fact that money was loaned at every rate from 7% to 10%, from 12% to 15%, and at 18%. This is one of the most interesting features of the record from the standpoint of one familiar with New York methods.

In New York we are afflicted with the most barbarous usury law in the United States and so far as I know in any civilized country. If a loan is adjudged usurious in New York the lender loses both interest and principal. Over fifty years ago men interested in corporations procured their exemption from this burden imposed on individual borrowers. Since Jeremy Bentham's famous essay on usury it has been clear to anyone who would read it that a usury law by increasing the risk to the lender increases the rate to the borrower who has poor security. In Boston the man who wants to get a second or third mortgage where the security is inadequate can always find someone who for a satisfactory consideration will take the risk of making the loan. Let us say that he estimates that risk at 10% or 18%. If a borrower with the same security in New York sought to obtain a similar loan he would be restricted in the class of persons to whom he could apply, for most men object to engaging in illegal transactions, and it would be only those willing to commit an unlawful act who would lend at all. Those willing to lend at a usurious rate must take not only the legitimate risk involved in lending on inadequate security but must also take the extra hazard of the loss of the entire principal through the loan being adjudged usurious.

For these reasons the borrower in New York has to pay, in commissions, brokerage fees or other ways, a sum sufficient to compensate the lender for legitimate risk, and in addition he has to pay for the hazard due to the usury law and an extra charge due to restricted competition between lenders. We know of a recent case in which 15% was paid for a loan of the large sum of \$200,000 to complete certain buildings. We believe that rates in excess of 6% in New York are higher than the rates in excess of 6% in Boston. In order to make the Boston figures fairly comparable with the New York tables all the money loaned at rates in excess of 6% should be computed at 6%. If this is done we have an average rate for Boston of 4.73, which is eight mills less than the average rate for New York for the last six months of 1905.

It is difficult to understand why for over fifty years corporations should have been allowed the advantage in New York State of borrowing at any rate they can obtain, while this privilege is denied to individuals. In addition to this favor to corporations men who borrow large sums on collateral security are also favored in that any rate of interest is allowed by contract upon sums of \$5,000 and over when borrowed on collateral security, and the money is payable on call. The exigencies of business absolutely demand this exemption, and yet ordinary borrowers on real estate security are still forced into unlawful conduct when their security is inadequate to obtain loans at 6% or less.

Another interesting thing about the Boston records is the amount of money loaned at 3½%, a rate very unusual in New York State. In 1905 out of \$6,674,000, \$1,406,000 was loaned at 3½%, and \$249,000 at 3¾%. We present a diagram showing the proportion of the money loaned at 5% and at lower and higher rates.

1905.

Under 5%

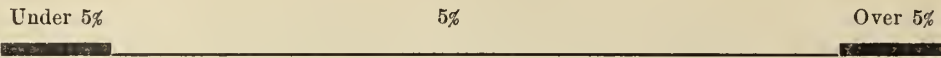
5%

Over 5%

*Berkshire County, Massachusetts.*

Berkshire County, covering the whole westerly end of Massachusetts, and bordering the New York counties of Columbia and Rensselaer, is fairly comparable with those counties. Our record shows all the mortgages in which the rate of inter-

est is expressed. The tables for Berkshire County show very similar conditions in the years 1904 and 1905. By far the largest amount of money is loaned at 5%, but for a rural county there is a considerable amount at less than 5%. In 1905 77.8% of all the money, being \$901,000, was loaned at 5%, 10.8% was loaned at over 5%, and 11.4% was loaned at less than 5%. The average rate in 1905 was the same as the average rate in 1904, and the following diagram shows the proportion of money loaned at 5% in 1905 and at greater and less rates:



### *Conclusion.*

The record of the mortgages recorded during the last six months of 1904, under the old law and, during the last six months of 1905, under the annual mortgage tax law, together with the record of mortgages recorded during the same periods in Boston and Berkshire county, Mass., furnish conclusive corroboration of what we know must be the tendency of mortgage taxation.

We know now with certainty that in the State of New York the liability to taxation under the old law increased the rate of interest by a mill and a half in some counties, and as much as three to four mills in other counties. We know that the annual mortgage tax increases the rate of interest over what the rate would be were mortgages exempt from taxation and that this increase is more than the amount of the tax.

The taxation of mortgages then must have an economic effect which all will agree is most undesirable. The tax discriminates against the owners of encumbered real estate. Improvements are very generally made with borrowed money, and the tax is therefore an additional tax on buildings in many cases. This tends to check the erection of buildings, to lessen the demand for building materials, to reduce opportunities for employment and to increase rentals.

From every point of view mortgage taxation is unjust and inexpedient. If it is impossible to secure entire exemption at this time a recording tax would be infinitely preferable to the annual tax. It would be free from the annoyance and risk inseparable from an annual tax. It would substitute a single charge on each mortgage for the annual increase in the interest rate, and with a minimum of trouble would yield a large revenue. The extent of the revenue may be estimated from the record of mortgages recorded in New York and Kings Counties in the years 1904 and 1905.

Par value of mortgages recorded in New York and Kings Counties.

1904 .....	\$455,326,344.
1905 .....	754,756,653.

In the remainder of the state it is safe to assume that the par value of mortgages recorded equals \$150,000,000 a year. A recording tax of one-half of 1% then would yield from three to four and a half million dollars a year.

## APPENDIX.

### Abstracts of Mortgage Records.

These tables were compiled from the complete record of all mortgages recorded, in which the rate of interest is expressed, for the last six months of 1904 and the last six months of 1905, unless otherwise stated.

#### New York State.

Prior to July 1st, 1905, mortgages were taxable locally, at the local tax rate, as personal property, after the deduction of debts. Mortgages owned by savings banks and life insurance companies were exempt from taxation.

June 3rd, 1905, a new law went into effect by which mortgages, including mortgages owned by savings banks and life insurance companies, recorded on and after July 1st, became subject to annual taxation at the rate of one-half of one per cent, without deduction on account of indebtedness. The tax is payable at the office where the mortgage is recorded without regard to the residence of the owner. If the borrower pays the tax or agrees to pay it the mortgage is usurious and void, but this rule does not apply to corporations.

#### New York County.

(Prior to 1898 the City of New York.)

According to the census of 1890 the average rate of interest on mortgages recorded from 1880 to 1889 was 5.40%. The following table shows the amount of mortgages recorded at each rate per cent during the last six months of 1904 under the old law, and during the last six months of 1905 under the new annual tax law, and the average rate of interest for each period:

1904.			1905.		
Principal amount.		Total interest.	Principal amount.		Total interest.
\$56,345,680 at 6% .....		\$3,380,740.80	\$44,239,294 at 6% .....		\$2,654,357.64
683,001 " 5½ .....		37,565.05	14,500 " 5¾ .....		833.75
7,500 " 5¼ .....		393.75	15,049,550 " 5½ .....		827,725.25
51,000,704 " 5 .....		2,550,035.20	287,600 " 5¼ .....		15,099.00
102,000 " 4¾ .....		4,845.00	21,873,037 " 5 .....		1,093,651.85
39,128,250 " 4½ .....		1,760,771.25	145,000 " 4¾ .....		6,887.50
425,000 " 4 4/10 .....		18,700.00	5,063,624 " 4½ .....		227,863.08
15,000 " 4¼ .....		637.50			
5,064,000 " 4 .....		202,560.00	1,499,712 " 4 .....		59,988.48
12,250 " 3½ .....		428.75	600 " 3½ .....		21.00
4,875 " 3 .....		146.25	5,600 " 3 .....		168.00
5,000 " 2½ .....		125.00	2,500 " 7 .....		175.00
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\$152,793,260	Average rate 5.207	\$7,956,948.55	\$88,181,017	Average rate 5.54	\$4,886,770.55
Over 5% .....	\$57,036,181,	37%	Over 5% .....	\$59,590,944,	67½%
At 5% .....	51,000,704,	34%	At 5% .....	21,873,037,	25%
Under 5% ..	44,756,375,	29%	Under 5% ..	6,717,036,	7½%



*Kings County.*

(Borough of Brooklyn, City of New York.)

The following tables show the mortgage record for the last three months only of each year, as the confusion of the Kings County record for July, 1905, prevents exact comparison for the six months period:

1904.				1905.			
Principal amount.		Total interest.		Principal amount.		Total interest.	
\$8,176,645	at 6% .....	\$490,598.70		\$13,619,520	at 6% .....	\$817,171.20	
186,537	" 5½ .....	10,259.54		7,546,152	" 5½ .....	415,038.36	
14,750	" 5 1/5 .....	767.00		4,250	" 5 1/5 .....	221.00	
17,128,506	" 5 .....	856,425.30		3,163,224	" 5 .....	158,161.20	
660,100	" 4½ .....	29,704.50		237,330	" 4½ .....	10,679.85	
165,463	" 4 .....	6,618.52		6,580	" 4 .....	263.20	
685	" 3½ .....	23.98		5,500	" 3½ .....	192.50	
200	" 1 .....	2.00		1,550	" 3 .....	46.50	
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\$26,332,886	Average rate 5.296	\$1,394,399.54		\$24,584,106	Average rate 5.70	\$1,401,773.81	
Over	5% .. \$8,377,932,	31.8%		Over	5% .. \$21,169,922,	86.2%	
At	5% .. 17,128,506,	65.0%		At	5% .. 3,163,224,	12.8%	
Under	5% .. 826,448,	03.2%		Under	5% .. 250,960,	01.0%	

(Note.—That the comparison may not be misleading, the above tables do not include a mortgage filed in 1904 by the Coney Island & Brooklyn R. R. for \$10,000,-000 at 4%.)

*Dutchess County.*

Bounded on the north by Columbia Co., N. Y., east by Connecticut, south by Putnam Co., N. Y., west by the Hudson River, (Dutchess is a rich county with five savings banks or more.)

Area 800 sq. mi. Population (1900) 81,670.

1904.				1905.			
No. of Mortgages.	Principal amount.	Total interest.		No. of Mortgages.	Principal amount.	Total interest.	
81	\$93,772.97 at 6% .....	\$5,626.38		68	\$61,905 at 6% .....	\$3,714.30	
1	600. " 5½ .....	33.00		81	136,430 " 5½ .....	7,503.65	
173	293,556.89 " 5 .....	14,677.84		1	1,150 " 5½ .....	60.37	
2	4,000. " 4½ .....	180.00		64	95,401.66 " 5 .....	4,770.08	
2	4,650 " 4 .....	186.00		3	2,700 " 4½ .....	121.50	
1	1,200 " 3½ .....	42.00		1	5,000 " 4 .....	200.00	
1	350 " 3 .....	10.50					
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261	\$398,129.86	Average rate 5.213	\$20,755.72	218	\$302,586.66	Average rate 5.41	\$16,369.90
Over	5% .....	\$94,372.97,	23.7%	Over	5% .....	\$199,485. ,	65.9%
At	5% .....	293,556.89,	73.7%	At	5% .....	95,401.66,	31.5%
Under	5% .....	10,200.00,	02.6%	Under	5% .....	7,700. ,	02.6%

*Columbia County.*

Bounded on the north by Rensselaer Co., N. Y., east by Berkshire Co., Mass., south by Dutchess Co., N. Y., west by Hudson River.

Area 647 sq. mi. Population (1900) 43,211.

1904.				1905.			
No. of Mortgages.	Principal	amount.	Total interest.	No. of Mortgages.	Principal	amount.	Total interest.
65	\$62,496.69	at 6%.....	\$3,749.80	55	\$163,672.92	at 6%.....	\$9,820.37
5	2,875.00	" 5½%.....	158.12	21	15,875.00	" 5½%.....	873.12
1	3,000.00	" 5¼.....	157.50				
75	102,551.30	" 5%.....	5,127.57	25	35,300.00	" 5%.....	1,765.00
1	500.00	" 4½%.....	22.50				
1	2,000.00	" 4%.....	80.00	1	1,575.00	" 3%.....	47.25
Average Rate.				Average Rate.			
138	\$173,422.99	5.37.....	\$9,295.49	102	\$216,422.92	5.78.....	\$12,505.74
Over 5%	\$68,371.69	39.4%		Over 5%	\$179,547.92	83.0%	
At 5%	102,551.30	59.2%		At 5%	35,300.00	16.3%	
Under 5%	2,500.00	01.4%		Under 5%	1,575.00	00.7%	

(Note.—The increase in the total and in the amount of 6% money in 1905 is due to two large mortgages, one for \$95,000, the other for \$24,000.)

*Rensselaer County.*

Bounded on the north by Washington Co., N. Y., east for 1/3 of the boundary by Vermont, for 2/3 of the boundary by Berkshire Co., Mass., south by Columbia Co., N. Y., west by the Hudson River.

Area 664 sq. mi. Population (1900) 121,697.

1904.				1905.			
No. of Mortgages.	Principal	amount.	Total interest.	No. of Mortgages	Principal	amount.	Total interest.
243	\$329,773	at 6%.....	\$19,786.38	220	\$234,120.24	at 6%.....	\$14,047.22
2	4,200	" 5½%.....	231.00	49	143,609.00	" 5½.....	7,898.49
161	377,172	" 5%.....	18,858.60	49	174,635.00	" 5.....	8,731.75
7	82,500	" 4½%.....	3,712.50	1	1,000.00	" 4½.....	45.00
10	70,240	" 4%.....	2,809.60	3	2,200.00	" 4.....	88.00
2	4,270	" 3½%.....	149.45	1	565.00	" 3½.....	19.78
				1	150.00	" 3.....	4.50
Average rate.				Average rate.			
425	\$868,155	5.247	\$45,547.53	324	\$556,279.24	5.543	\$30,834.74
Over 5%	\$333,973	38.5%		Over 5%	\$377,729.24	67.7%	
At 5%	377,172	43.4%		At 5%	174,635.00	31.5%	
Under 5%	157,010	18.1%		Under 5%	3,915.00	.8%	

*Chautauqua County.*

Bounded on the north by Lake Erie, on the east by Cattaraugus County, on the south by Pennsylvania, on the west by Erie County, Pa.

Area 1062 sq. mi. Population (1900) 88,314.

1904.				1905.			
No. of Mortgages.	Principal amount.		Total interest.	No. of Mortgages.	Principal amount.		Total interest.
751	\$706,167	at 6%.....	\$42,370.02	637	\$642,576	at 6%.....	\$38,554.56
5	9,700	" 5½.....	533.50	62	90,688	" 5½.....	4,987.84
195	299,757	" 5 .....	14,987.85	1	700	" 5¼.....	36.75
4	18,200	" 4½.....	819.00	99	174,710	" 5 .....	8,735.50
13	33,450	" 4 .....	1,338.00	3	2,800	" 4½.....	126.00
2	1,600	" 3 .....	48.00	7	4,325	" 4 .....	173.00
				3	11,000	" 3 .....	330.00
Average rate.				Average rate.			
970	\$1,068,874	5.62	\$60,096.37	812	\$926,799	5.71	\$52,943.65
Over	5%	\$715,867	67%	Over	5%	\$733,964	79.1%
At	5%	299,757	28%	At	5%	174,710	19.0%
Under	5%	53,250	05%	Under	5%	18,125	01.9%

**State of Pennsylvania.**

In Pennsylvania mortgages were taxable from 1880 to 1889 inclusive at the rate of four mills per annum during five years, and at the rate of three mills per annum for the remainder of the period. Since 1889 the tax has been at the rate of four mills per annum. Mortgages are taxable where the owner resides, without deduction for debt. There is an elaborate system for notifying assessors of the names of the owners of mortgages and the amount of mortgages recorded. The tax collected indicates that a very large proportion of the mortgages in Pennsylvania are actually taxed. It is unlawful for the borrower to pay the tax or any part of the tax, and the mortgage is usurious if the borrower does so pay.

*Erie County, Pa.*

Bounded on the north by Lake Erie and Chautauqua Co., N. Y., east by Chautauqua Co., N. Y., and Warren Co., Pa., south by Crawford Co., Pa., west by Ohio.

Area 782 sq mi. Population (1900) 98,473.

1904.				1905.			
No. of Mortgages.	Principal amount.		Total interest.	No. of Mortgages.	Principal amount.		Total interest.
431	\$646,354.35	at 6%.....	\$39,781.25	425	\$585,678.78	" 6%.....	\$35,140.76
7	21,200.00	" 5½.....	1,166.00	12	37,830.00	" 5½.....	2,080.65
13	43,600.00	" 5 4/10....	2,354.40	14	25,990.00	" 5 4/10....	1,403.46
1	5,000.00	" 5 2/10....	260.00				
171	368,848.60	" 5 .....	18,442.43	154	385,095.00	" 5 .....	19,254.75
1	1,700.00	" 4 9/10....	83.30				
3	4,000.00	" 4½.....	180.00	1	1,352.00	" 4 4/10....	59.49
12	28,100.00	" 4 .....	1,124.00	14	38,150.00	" 4 .....	1,526.00
4	6,340.00	" 3 .....	190.20	3	4,725.00	" 3 .....	141.75
Average rate.				Average rate.			
643	\$1,125,142.95	5.57	\$62,581.59	623	\$1,078,820.78	5.53	\$59,606.86
Over	5%	\$716,154.35	63.7%	Over	5%	\$649,498.78	59.0%
At	5%	368,848.60	32.8%	At	5%	385,095	37.0%
Under	5%	40,140.00	03.5%	Under	5%	44,227	04.0%



*Philadelphia, Pa.*

According to the census of 1890 the average rate of interest on mortgages from 1880 to 1889 was 5.42. As the average tax for the decade was three and a half mills the rate with the tax deducted was 5.07%.

The following table shows the record of the mortgages recorded during the first four days of each month for the last six months of 1904, exclusive of the mortgages made to building and loan associations. These mortgages do not show the true rate of interest and are exempt from taxation, hence they are omitted. The record for 1905 is not yet obtainable.

As there is a tax of four mills which is collected with great thoroughness, the amount of the tax should be deducted to show the true rate of interest. When the tax is deducted the average interest rate is 4.76. Note the amount of money loaned at 5 4/10%. In this case the lender has only been able to exact the precise amount of the tax in excess of 5% instead of the ordinary increase of 1/2%.

No. of mortgages.		1904.		Total interest.
		Principal amount.		
193		\$682,726	at 6%.....	\$40,963.56
1		3,000	" 5 3/4.....	172.50
15		54,750	" 5 1/2.....	3,011.25
306		667,701	" 5 4/10.....	36,055.85
366		1,109,325	" 5 .....	55,466.25
63		687,600	" 4 1/2.....	30,942.00
2		27,000	" 4 4/10.....	1,188.00
7		72,600	" 4 .....	2,904.00
2		6,500	" 3 .....	195.00
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955		\$3,311,202	Average rate, 5.16.	\$170,898.41
Over	5%	\$1,408,177	42.5%	
At	5%	1,109,325	33.5%	
Under	5%	793,700	24.0%	

## State of Massachusetts.

(Mortgages have been exempt from taxation since 1881.)

### *Suffolk County.*

(Contains City of Boston.)

According to the census of 1890 the average rate of interest on mortgages recorded from 1880 to 1889 was 5.18. For eight years of the decade mortgages were exempt from taxation.

The following tables show the amount and rate of interest of the first hundred mortgages for each month for the last six months of 1904 and for the year 1905. For the year 1905 the Boston mortgages shown by the record amount in the aggregate to \$6,674,758. The total amount of the mortgages recorded for the year was \$44,653,289. The average rate of interest for each period of six months has been computed and varies so slightly as to prove that the mortgages examined give a fair average for the whole amount.

It will be observed that a large proportion of the money was loaned at rates of interest in excess of 6%. In Massachusetts there is no usury law, and the record nearly tells the truth. In New York there is a usury law and no mortgage can safely be put on record, unless made by a corporation, which shows a rate of over 6%. In order to compare the Boston rate of interest with the New York rate a computation has been made by which all the money loaned at over 6% has been classed as 6% money. When this is done the average rate of interest is 4.73%.

### *Boston.*

1904.

No. of mortgages.		Principal amount.		Total interest.
11		\$25,000	at 12%.....	\$3,000.00
10		317,600	" 10 .....	31,760.00
1		1,000	" 9 .....	90.00
12		14,900	" 8 .....	1,192.00
15		27,725	" 7 .....	1,940.75
1		600	" 6½.....	39.00
161		373,272	" 6 .....	22,396.32
6		7,900	" 5½.....	434.50
301		1,040,753	" 5 .....	52,037.65
2		25,000	" 4¾.....	1,187.50
31		152,635	" 4½.....	6,868.57
3		115,000	" 4¼.....	4,887.50
33		812,050	" 4 .....	32,482.00
1		150,000	" 3¾.....	5,625.00
6		501,000	" 3½.....	17,535.00
594		\$3,564,435	Average rate, 5.09	181,475.79
Over	5%	\$767,997	21.3%	
At	5%	1,040,753	29.5	
Under	5%	1,755,685	49.2	

*Boston, Massachusetts, (continued).*

## 1905, 1st 6 mo.

No. of mortgages.	Principal amount.	Total interest.
1	\$10,000 at 15%.....	\$1,500.00
1	14,500 " 13 .....	1,885.00
8	28,690 " 12 .....	3,442.80
18	70,650 " 10 .....	7,065.00
1	250 " 9 .....	22.50
22	41,550 " 8 .....	3,324.00
8	10,705 " 7 .....	749.35
192	486,706 " 6 .....	29,202.36
10	15,850 " 5½ .....	871.75
284	1,283,691 " 5 .....	64,184.55
3	27,000 " 4¾ .....	1,282.50
29	195,500 " 4½ .....	8,797.50
10	84,100 " 4¼ .....	3,574.25
18	372,700 " 4 .....	14,908.00
2	28,000 " 3¾ .....	1,050.00
11	434,500 " 3½ .....	15,207.50
1	4,000 " 3 .....	120.00
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	Average rate.	
619	\$3,108,392 5.05	\$157,187.06

## 1905, 2nd 6 mo.

No. of mortgages.	Principal amount.	Total interest.
3	\$10,800 at 18%.....	\$1,944.00
1	9,800 " 15 .....	1,470.00
1	31,500 " 14 .....	4,410.00
21	120,500 " 12 .....	14,460.00
17	98,670 " 10 .....	9,867.00
2	3,300 " 9 .....	297.00
12	23,800 " 8 .....	1,904.00
3	4,400 " 7 .....	308.00
1	7,000 " 6½ .....	455.00
168	421,556 " 6 .....	25,293.36
7	14,000 " 5½ .....	770.00
1	2,000 " 5 3/8 .....	107.50
296	1,194,890 " 5 .....	59,744.50
1	20,000 " 4¾ .....	950.00
32	214,100 " 4½ .....	9,634.50
3	32,000 " 4¼ .....	1,360.00
23	164,150 " 4 .....	6,566.00
6	221,500 " 3¾ .....	8,306.25
8	972,400 " 3½ .....	34,034.00
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	Average rate.	
606	\$3,566,366 5.10	\$181,831.11

## Average rate for whole year, 5.07.

For the year.	{ Over	5%	\$1,426,227	21.4%
	{ At	5%	2,478,581	37.1%
	{ Under	5%	2,769,850	41.5%



*Berkshire County, Mass.*

Bounded on the north by Vermont, east by Franklin, Hampshire and Hampden Counties, Mass., south by Connecticut, west by Columbia and Rensselaer Counties, N. Y.

Area 929 sq. mi. Population (1900) 95,667.

1904.				1905.			
No. of mortgages.	Principal amount.		Total interest.	No. of mortgages.	Principal amount.		Total interest.
140	\$171,274	at 6%.....	\$10,276.44	149	\$119,641.63	at 6%.....	\$7,178.49
1	250	" 5½.....	13.75	4	5,760.00	" 5½.....	316.80
471	1,287,693	" 5.....	64,384.65	425	901,260.50	" 5.....	45,063.02
12	144,600	" 4½.....	6,507.00	8	100,650.00	" 4½.....	4,535.25
1	43,000	" 4¼.....	1,827.50	1	11,000.00	" 4¼.....	484.00
2	8,911	" 4.....	356.44	2	9,000.00	" 4.....	360.00
2	3,400	" 2½.....	85.00	4	7,750.00	" 3½.....	271.25
				1	3,100.00	" 3.....	93.00
		Average rate.				Average rate.	
629	\$1,659,128	5.03	\$83,450.78	594	\$1,158,162.13	5.03	\$58,301.81
Over	5%	\$171,524	10.3%	Over	5%	\$125,401.63	10.8%
At	5%	1,287,693	77.7%	At	5%	901,260.50	77.8%
Under	5%	199,911	12.0%	Under	5%	131,500	11.4%

**DIAGRAMS.**

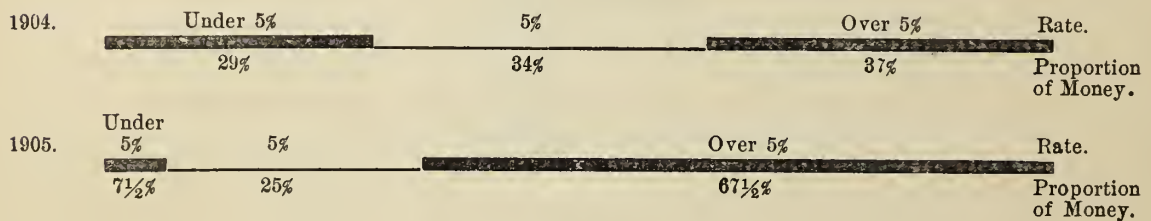
## DIAGRAMS

(drawn to scale)

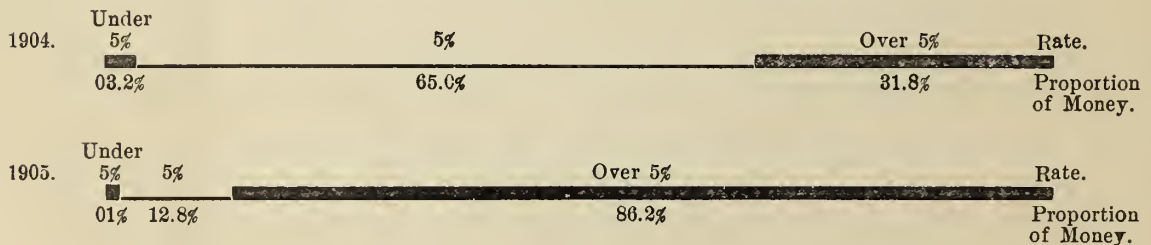
Comparing the amount of money loaned in several New York counties on mortgages in which the rate of interest is expressed, by showing the proportion of the money loaned at 5% and at greater and less rates, for the last six months of 1904 (under the old law) and for the last six months of 1905 (under the new annual mortgage tax).

Mortgages in Massachusetts are untaxed. Therefore diagrams are presented showing similarly the proportion of loans in 1905 in Boston, and in Berkshire County, which covers the whole western end of the State and adjoins the New York counties of Columbia and Rensselaer.

### NEW YORK COUNTY.



### KINGS COUNTY (Last 3 Months).

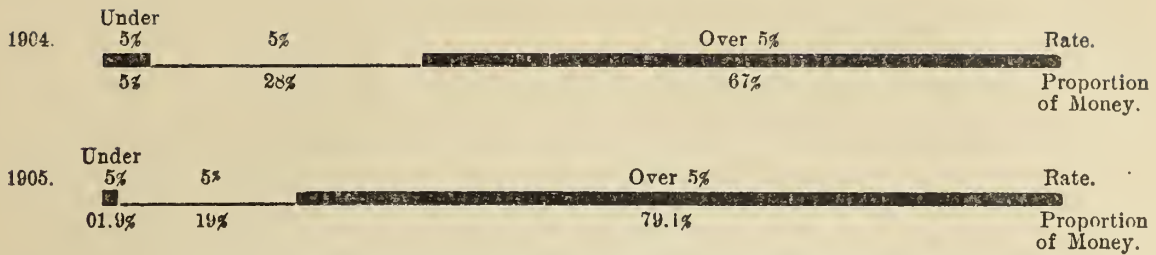


### BOSTON, MASS.

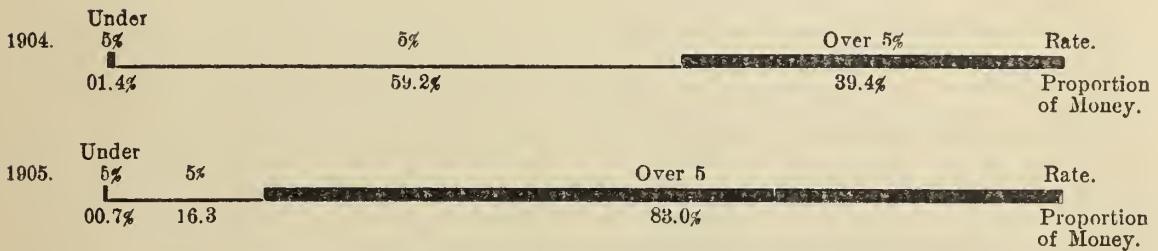




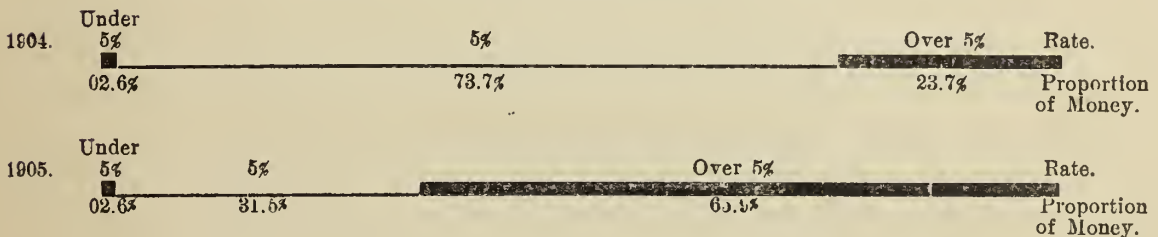
## CHAUTAUQUA COUNTY.



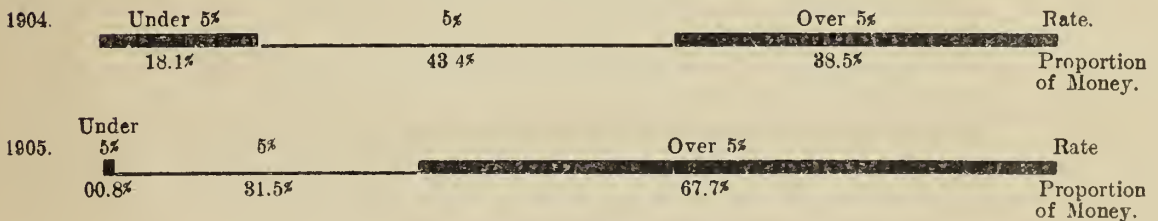
## COLUMBIA COUNTY.



## DUTCHESS COUNTY.



## RENSSELAER COUNTY.



## BERKSHIRE COUNTY, MASS.

